Chapter 1

It May Be News, But It Isn't New

A Brief History of Globalization

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Globalization has a history, though it is hard to say precisely when it began. The Roman Empire doesn't qualify as global, because despite its enormous expanse and a certain level of economic activity between the parts, most of the world was still outside its boundaries and most production remained local. The British Empire in 1815, after Waterloo, had an even larger footprint, but international trade was insignificant and one of the original purposes of the empire was to give Britain privileged access to its colonies, as both sources of raw material and

markets for its goods. However, later in the nineteenth century, Britain led the move to reduce barriers to trade. At the same time, the telegraph, steam transportation, and other technologies shrank the time and the cost of moving information and goods, and people began to migrate in large numbers. Economic and social activity across national boundaries grew in importance and began to attract notice.

In his classic book, *The Great Illusion*, British writer Norman Angell argue that, due to what we now call *globalization*, the nation-state had declined as a factor in economic performance. The two great economic forces, capital and labor, had become fully internationalized, cutting across state borders. According to Angell, international finance had "become so independent and interwoven with trade and industry . . . that political and military power can in reality do nothing for trade . . . and all these factors are making rapidly for the disappearance of state rivalries."[1] As a consequence, wars could no longer be fought profitably and were therefore becoming outmoded. Nearly a century later, Thomas Friedman reaffirm this analysis: "As countries [get] woven into the fabric of global trade and rising living . . . standard, the cost of war for the victor and vanquished [becomes] prohibitively high."[2]

Angell received a Nobel Prize in 1933, but he won it for peace, not for prophecy. *The Great Illusion* originally appeared in 1909 and was soon overtaken by events.[3] He was tragically wrong about modern industrial states not going to war against one another, as World War I demonstrated with the blood of millions. But he was also mistaken about a future of ever-increasing economic internationalization and the diminishing importance of national boundaries. The rapid advance of transportation and communication technologies did not lead to a more interdependent economic world, at least not right away. Globalization, whether measured by trade, movements

of capital, or emigration, peaked between 1910 and 1920, and then declined steadily for the next 30 to 40 years. Thomas Friedman may prove a better forecaster than Norman Angell, but we think that is unlikely.

Tradable Goods

Trade occurs when people in one country want something provided elsewhere, because it is better, cheaper, or locally unavailable. The growth of trade within any particular category of goods depends on falling transportation, communications, and financing costs. It also depends on the absence of prohibitive government interference, through measures such as tariffs or quotas imposed on imported goods.

Some kinds of output are inherently easier to trade across national boundaries than others; grain travels better than child care, for example. The overall importance of global trade depends on the mix of final demand between easily traded goods and goods that don't travel well. Shifts in demand toward nontraded goods (and services) may outweigh the effects of improvements in transportation, communications, and financing, and government reductions in legislated barriers to trade. In that case, globalization declines as a factor in overall economic life, despite trade-enhancing improvements. A decline of this sort occurred in the 1920s, as trade as a portion of economic output shrank. We think a similar decline is almost certain to happen in the foreseeable future.

The volume and importance of international trade has moved up and down over the last 200 years. Starting early in the nineteenth century, continual improvements in transportation and communications led to a steady growth in the importance of international trade relative to overall economic

Table 1.1 Global Trade as Share of Global Output

Year	Trade as Share of Output	Annual Change
1820	2%	
1875	9%	3%
1910	16%	2%
1920	18%	0%
1950	13%	−1%
1975	22%	2%
2000	30%	1%

SOURCE: A. Estevadeordal, B. Frantz, A.M. Taylor, "The Rise and Fall of World Trade, 1970–1979," *Quarterly Journal of Economics,* May 2003, and International Monetary Fund, *International Financial Statistics.*

activity. From 2 percent of total output in 1820, trade grew to 9 percent by 1875 (a 4.5-fold increase) and then to 18 percent in 1920 (a twofold increase).[4] Table 1.1 presents an abridged view of this history.

Even during this boom period, the law of diminishing returns set in. In the first 55 years, from 1820 to 1875, blockbuster innovations, especially the rapid expansions of the railroads, the emergence of coal-fired steamships to replace sailing vessels, and the invention of the telegraph, generated an annual growth rate for international trade that exceeded the growth of overall output by 3 percent. During the next 35 years, from 1875 to 1910, the growth rate of trade surpassed that of output by 1.7 percent per year. New technologies continued to appear—oil-powered ships, motor transport on land, telephone and radio communications—and existing ones improved. But their effects were less dramatic than the advances at the start of the period. Finally, in the 10 years following Angell's book, from 1910 to 1920, trade grew only 0.3 percent per year more rapidly than output, as the impact of these innovations declined still further.

After 1920, globalization went into reverse for three decades. Certainly, the Depression, in the protectionist policies it spawned, and the great disruption of World War II played a role. But more important were underlying economic developments that changed the mix of outputs in a way that greatly reduced the overall significance of international trade.

Until 1920, the world economy was largely devoted to the production of commodities: raw food and other agricultural products, metals and other minerals, coal, bulk textiles. As late as 1920, expenditures on food accounted for more than 60 percent of total household spending in the United States. But a major shift was in process, a shift that accelerated after 1920. Differentiated manufactures—automobiles, household appliances, electrical equipment, processed foods—came to dominate household spending and economic output.

Two forces spurred this transformation. First, production in agriculture, mining, and metals became much more efficient. Rapid productivity growth drove down both prices and employment in these commodity industries. Even though physical output continued to expand, the value and economic significance of commodity products began a long decline. Second, incomes rose, thanks to improved productivity. Consumers could spend less for the same quantity of basic goods they had previously bought, leaving enough to buy the novel manufactured items that brought variety, convenience, comfort, and status into their lives.

This changing composition of demand affected international trade. The infrastructure of trade—transportation equipment, shipping lines, communications links, agency relationships, marketing programs—had evolved to handle the movement and distribution of commodities, which was uncomplicated. National differences in tastes and requirements for wheat, soybeans, steel, copper, coal, cotton, wool, and the rest were either

limited or nonexistent. Shipping could be done in bulk. Prices were well-known and well-defined. Customized local marketing efforts and service support after the sale were rarely required. This system, designed for bulk commodities, proved inadequate to conduct trade in the differentiated manufactures that were capturing increasing amounts of consumer spending.

By their very nature, differentiated products respond to local tastes and specifications, like clothing styles and voltage requirements for electrical equipment. Prices are not set in global commodity markets; they depend on the success of local marketing efforts. So does sales volume. Shipping can require precise packaging and handling. And after-sale support for items like automobiles, appliances, and industrial equipment entails extensive local service and supply networks. It took time to set up this more elaborate commercial infrastructure, and until it was in place, trade suffered.

Both the changes in the composition of economic activity and the consequences for trade are apparent in data for the U.S. economy (Table 1.2). In the two decades from 1900 to 1920, agriculture and mining accounted for roughly 20 percent of U.S. economic output and between 30 and 40 percent of employment, although the employment figures were already declining because of rising productivity. Trade as a fraction of U.S. output increased from 17 percent in 1900 to 24 percent in 1920, a rate slightly faster than the global figures, which were depressed by World War I and its aftermath. Between 1920 and 1930, agriculture and mining fell from 18.5 percent of total U.S. output to 12.6 percent. The relative importance of trade also plummeted; from 24 percent of output in 1920, it dropped to just 11 percent in 1930. Over the next 30 years, trade remained at around 10 percent. Agriculture and mining continued their relative decline, falling to around 8 percent of output in 1960.

Table 1.2 Trade, Agriculture, and Mining in the U.S. Economy

Year	Trade as Share of Output	Agriculture and Mining as Share of Output
1900	17%	21%
1920	24%	19%
1930	11%	13%
1940	9%	12%
1960	10%	8%

SOURCE: *Historical Statistics of the United States.*

Starting in 1950, trade began a steady recovery from the depths to which it had sunk. Given what Adam Smith described as a propensity in human nature "to truck, barter, and exchange one thing for another," it was only a matter of time before businesses learned to sell differentiated products in distant markets. The growth of multinational corporations in the period after World War II allowed branded products, like General Motors cars, Nike shoes, and IBM computers, either to be assembled from parts made in lower-cost manufacturing operations in foreign countries, or to be produced there entirely. Firms like Siemens, Daimler-Benz, Cadbury Schweppes, Néstles, and Sony acquired the skills to market their product globally. At the same time, a political climate generally favorable to international commerce permitted the steady reduction in tariffs and other barriers to international trade. (To put the importance of trade policy in perspective, we should bear in mind that a favorable government climate in the 1920s could not compensate for the effects of changes in the mix of economic activity, and that trade began to revive in the 1950s, well before the big reductions in barriers in the 1960s.) As a consequence, between 1950 and 1975, trade once again grew more rapidly than overall output, by a margin of over 2 percent per year (Table 1.1).

And once again this growth was subject to diminishing returns. In the next 25 years, the advance of trade over output reverted to 1.2 percent per year.

From Goods to Services

Since 1950, there has been a steady shift in global economic activity from differentiated manufactures to services, a transformation that mirrors the move early in the twentieth century from commodities to differentiated manufactures (Table 1.3). Manufacturing, which at the start of the period accounted for around 32 percent of economic output in the United States, had by 2000 declined by half, to just under 16 percent. If this trend continues, manufacturing will represent 4 percent of output in the United States by the end of this century, which is less than agriculture and raw material today. The share of the service sector, broadly defined to include transportation,

Table 1.3 Share of GDP by Industry in the United States

Year	1950	1970	1990	2000	Trend
Manufacturing	32%	27%	18%	16%	Declining
Agriculture, mining, construction	14%	10%	8%	7%	Declining
Government	10%	16%	14%	12%	Level
Wholesale & retail trade	17%	15%	16%	16%	Level
Transportation, communications	9%	8%	9%	8%	Level
Finance, insurance, real estate	9%	11%	17%	20%	Growing
Services	9%	13%	19%	22%	Growing

SOURCE: *Historical Statistics of the United States, Statistical Abstract of the United States.*

communications, utilities, and government services, along with health care, education, retail sales, and all the other activities generally included, rose from 54 percent to 78 percent of the total economy during the same 50 years ending in 2000. Because these service goods are inherently more difficult to provide across national boundaries, continuing expansion of this sector will reduce the impact of globalization, much as the earlier growth of the complex manufactures did in the period after 1920.

Growth in productivity, this time in manufacturing, is again primarily responsible for this reordering of economic activities. This productivity growth has been rapid. Thanks to computer-based advances in automation, there is reason to think the pace will continue. Between 1980 and 2000, manufacturing productivity in the United States grew at an average of 3.4 percent per year, much faster than the overall annual increase of 1.8 percent in all nonfarm businesses. The gap has not closed in the years after 2000. As long as this trend continues, the relative prices of manufactured goods will fall, as will employment in manufacturing, even if demand for manufactured goods keeps pace with overall consumer demand.

In fact, for many years, as incomes have risen, consumers have been increasing the share they spend on services and shrinking the share going to manufactures. In 1970, households in the United States spent 23 percent of their budgets on food, and about 80 percent of that (18 percent of the total) went to buy manufactured food products consumed at home (Table 1.4). By 2000, the total for food had fallen to 15 percent, only two-thirds of which (10 percent of the total) was for eating at home. Clothing expenditures followed the same downward path, as did shelter costs, especially those for home furnishing and household supplies. Moving upward to take up the slack was increased spending on medical care and business, social, and educational services.[5]

Table 1.4 Consumption Expenditures in the United States (as share of total)

Year	1970	2000
Rent, utilities, service	22%	19%
Furnishings, supplies	7%	3%
Total shelter	*29%*	*22%*
Food at home	18%	10%
Prepared food (eating out)	5%	5%
Total food	*23%*	*15%*
Clothing	10%	6%
Transportation	13%	12%
Medical care	8%	17%
Business, social, & educational service	9%	15%
Recreation	7%	9%
Other	1%	4%
Total	**100%**	**100%**

SOURCE: *Statistical Abstract of the United States.*

Older and richer people spend relatively more of their incomes on housing, education, medical care, and other services. As the population ages and becomes wealthier, these are almost certainly going to continue increasing their share of overall household consumption. Thus, trends in demand in favor of services will reinforce underlying trends in increased productivity and lower costs in manufacturing. The future of manufacturing will look like the past of agriculture and the extractive industries, and it will become an increasingly marginal part of the overall economy, even though there will be no shortage of manufactured goods.

What will this mean for the future of globalization? Manufactures have historically been easier to trade than services, which, in the great majority of cases, are produced and

consumed locally, like housing and medical care. If this pattern continues to hold, then we are at an inflection point similar to that of the early 1920s, after which globalization became a diminishing factor in the world economy.

Thomas Friedman, Clyde Prestowitz, Robert Shapiro,[6] and a number of other writers on the subject have argued the opposite. They foresee advances in information technology and communications that will allow—or compel—services to follow the historical path of differentiated manufactures and be provided across national borders as easily as toys, tractors, and topcoats. Don't count on it. A precise examination of the kinds of services that are likely to be in demand in the future suggests that they will be difficult to globalize.

Which Services Remain Rooted?

The largest single area of consumer demand is shelter, including housing and related services and products. By its very nature, housing itself must be supplied locally. Unless Americans, Europeans, or Japanese live in India or China, they will not be offshoring their housing needs. Utilities, household improvements and repairs, and home maintenance services must also be provided locally. Some services, like security monitoring, may be done from abroad, but the installation will be a local service, as will emergency response. Even the monitoring that might be done offshore is likely to be automated through voice response and computer-based decision systems, shrinking the potential global component of this service.

Similar features are at work in medical care. For all the talk of foreign radiologists reading X-rays from the United States,[7] the great majority of health-care activities require direct contact between patient and doctor. For acute care cases and

those that can be performed as outpatient procedures, overseas travel is not a real possibility. Nor is it for emergency surgery, where immediate care is necessary. Recurrent treatments for physical therapy, rehabilitation, or long-run custodial care must be done locally, unless patients are to be warehoused overseas, away from family and friends. Day-to-day care and diagnoses associated with office visits are also confined to local providers. Remote diagnosis and prescription of medication may ultimately be practical without direct patient contact. But if these services can be provided remotely, the chances are good that many of them can also be automated either entirely or partially, with voice or visual response systems and computer-based analytical software.

A comparable development has already happened in medical testing. Individual self-test devices that provide instant responses are increasingly available for pregnancy, strep infections, diabetes monitoring, and other conditions. These need only local distribution through pharmacies or other outlets. At the opposite end of the scale, massive centralized facilities perform automated tests on samples that have been collected locally. For these procedures, the greatest part of the human activity involved is devoted to taking and transporting the test samples. In either case, overseas provision of these services is limited.

In searching for globally provided medical services, we are left with only a few genuine cases. One is a mythical army of the night, bargain overseas radiologists who turned out, when someone really looked, to consist of U.S.–board certified doctors who had returned to India,[8] and Nighthawk Radiology, a U.S.-based company using radiologists in Australia, Switzerland, and the United States to provide immediate, first-read services on a limited basis during off-hours for U.S. hospitals.

A second case is the industry called *medical tourism*, which consists of surgery with perhaps a vacation included in places

where the medical care is good and the prices are sufficiently below those in the developed countries to more than cover the costs of the trip. The British National Health Service is sending people to India for heart surgery, and Singapore and Thailand are working to become major destinations for treatment, appealing to Americans, Europeans, and Japanese on price and to other Asians on quality. But even if medical tourism grows rapidly, it is highly unlikely that the provision of medical services as a whole will become global in any significant way.[9]

For educational, religious, and social services, outsourcing in the usual sense has never been significant because most of these activities are inherently social. Going to church has always involved going to church with others—the congregation—and the experience cannot be duplicated at a distance, whether by broadcast ministries, the Internet, or any other technological means, at least not with the same emotional resonance. Schools are also social, even custodial, institutions; these features are at least as important as the purely educational ones. It is almost impossible to imagine that children will be provided with effective supervision and socialization over the Internet; it is hard enough to provide them in schools. For older students, the social component is more important than the custodial one, but that still requires direct contact. Imagine American colleges without beer busts, athletic events, and all-night talk sessions. These functions are not going to be outsourced, either domestically or globally. Finally, social services are by definition social, involve direct personal interactions, and are not going to be provided from some distant site.

A future in which distance learning predominates, churches hold services by placing "big brother"-type monitors in parishioners' homes, and people interact largely via Internet sites like MySpace and Facebook, replacing endless teen telephone calls and current network television series, has long been an

element, generally a dreaded element, of science fiction. If social networking sites ultimately become a substitute for what people of our generation consider "genuine interactions," that will involve not only progress in technology, but also in evolution. So far, the impact of these developments has been limited.

For example, education has been identified by Thomas Friedman and others as one of the next great areas of global outsourcing. Educators have been entranced by the possibilities of distance learning since before the earliest days of radio and television. The Chautauqua Institute for correspondence education was established in upstate New York in 1883. The first educational radio license was issued to the Latter Day Saints University in 1921. Iowa State University offered the first educational television programs in 1950. The Public Broadcasting System, with its strong educational orientation, was established in 1964. The Open University started in 1971, to provide students in the United Kingdom with courses based on a media mix of television and correspondence units. In 1993, Jones International University became the first accredited online university in the United States. It was followed during the height of the Internet boom in the late 1990s by a plethora of new companies offering online courses, as well as established universities who jumped into the field.

In the face of these technologically advanced methods for delivering instruction, or at least information, education remains overwhelmingly school based and dependent on local teaching. The new technologies have augmented the traditional, school-based processes, but they have not supplanted them. Apart from the custodial and social aspects of education, face-to-face human interaction appears to be an essential part of any effective pedagogical process. The Open University discovered that to accomplish its instructional mission it needed local

tutorial centers, where direct interactions between students and instructors could take place.

A 2000–2001 survey of American colleges and universities found that distance learning accounted for just under 2 percent of overall enrollments (3.1 million of around 160 million total, assuming 10 courses per year for a full-time student).[10] Another survey in 2002–2003, this one of elementary and high school students, found that 327 thousand were enrolled in distance education; that figure accounts for less than 1 percent of the more than 50 million students in primary and secondary schools. Looking forward, the U.S. Distance Learning Association, an interested party, projects distance learning to grow by 12 percent per year, and to account for $1.8 billion in spending in 2008. In the 2001–2002 academic year, overall spending by U.S. educational institutions came to $780 billion, so the distance learning component is and will continue to be small. Even the projected growth rate of 12 percent annually is in line with anticipated growth rate in business education and training, of around 10 to 15 percent through 2008.

Despite the isolated tales of tutors in India coaching American students through math classes, meaningful globalization of education, religion, and social services will require major changes in human behavior that are likely to occur slowly, if at all. In the near term, the chief presence of globalization in these areas will continue to be students going abroad to study and religious and social groups, like the Boy Scouts, traveling to international meetings and congresses. The United States and other developed countries are not at a disadvantage in supplying these services. In the 2004–2005 academic year, 206,000 American students studied abroad—overwhelmingly in other developed countries—compared to 565,000 who came into the United States to study. China and India, whatever their

advantages in other areas, are unlikely to become the destinations of choice for U.S. students going abroad any time soon.

Recreation and restaurant meals together account for 14 percent of household expenditures, compared to 10 percent for purchased food prepared at home. These activities are not moving overseas. People go to local movies, local clubs, and local sporting events, and when they eat out or order in, they do that locally as well (excepting of course the meals eaten during overseas travel). Nobody calls Naples to get a pizza delivered. Entertainment brought into the home via the airways or landlines is generally provided locally, except for all the American movies, television shows, and recorded music that are both consumed and deplored in other countries. Another major exception is manufactured imports, such as televisions and other electronic gear, sports equipment, food products, beverages, and other goods that have been imported for many years and are now declining in economic importance.

Much has been made of some parts of these services that can be supplied remotely and even globally: ticket purchasing, order taking, support services of various kinds. The voice at the McDonald's drive-through window may originate in Denver or Mumbai and transmit the order back to the local store. But these activities comprise a small and probably shrinking share of the money spent on recreation and restaurant services. For activities to be provided remotely, they must generally be routine—that is, organized into a standard and often mechanical procedure. If they can be defined by a routine, they can be automated. If they can be automated, their costs and economic significance are likely to decline, whether they are handled by a computer or a lower-paid worker in a remote location.

As with cable and broadcast television, the infrastructure parts of utilities, telecommunications, and transportation—transmission lines, roads, installed rail tracks—must be provided

locally. The capital equipment for these functions has been subject to global competition for many years, and like other manufactured items, it is declining in cost and importance. With some of this equipment, such as automobiles or construction gear, the manufactured inputs are heavy, costly to transport, and can be made with less and less labor. These features allow competitive production in high-wage economies, like the Japanese automobile transplant factories that are profitable manufacturers within the United States.

Government services such as police, fire, road maintenance, parks, welfare, licensing, other administrative functions, and homeland security will continue to be provided locally, with rare exceptions. Some service functions may be purchased abroad. But again, what can be handled remotely can be automated and at diminishing cost. Also, a preference for "buying local" is not going to vanish from governments subject to political control. To expect substantial offshoring of government services is not realistic.

Finally, there is the broad area of business and financial services—banking, credit cards, brokerage (including real estate and insurance as well as stocks and bonds), legal, accounting, and other more specialized functions. These are purchased both by households and other businesses. Because these sectors, especially the whole area of finance, have received so much attention in the globalization debate, we will deal with them extensively in Chapter 5. We are going to describe them briefly here to complete this survey of the likely future of the globalization of services.

These services generally fall into three categories. The first is high-level, high-value, generally professional services, usually of some complexity and with content specific to the consumer. Lawyers, financial advisors, both personal and institutional bankers, accountants, and many business consultants

fall into this category. These services involve a large element of direct communication and mutual trust between the professional and the customer. The services tend to be customized. No one who has a choice is going to rely on a divorce lawyer or tax accountant or financial planner who was located in the Yellow Pages or on the Internet and works from Bangalore or Guangdong. (To a lesser extent, the same preferences apply domestically; people in Minneapolis don't use divorce lawyers in Phoenix.) These kinds of services are not about to be globalized in the foreseeable future.

The second set of services are more routine but still need major local facilities either for collecting or distributing information. Banking and mortgage lending typically fall into this category. Banks must have some local presence to provide services, and mortgage lenders need to be well-informed about local real estate conditions. (The recent debacle in the securitized mortgage market, through which banks and other companies could initiate mortgages and then package them into opaque debt instruments to offload onto remote, uninformed bond buyers, underscores the risks of investing without local knowledge. It also highlights the ability of motivated financial professionals to sell practically anything.) Both must market their services locally, even if some elements of client servicing are done remotely. These services are largely locally provided, though perhaps through divisions that are subsidiaries of a multinational parent, like HSBC.

Third, there are the most routine services—back-office information processing, transcription, order entry, and basic administrative functions—which can be centralized and provided remotely. Like all routine functions, these are increasingly being automated; think of ATMs, interactive web sites, and personal computer programs for financial management and tax preparation. With automation comes lower costs and less economic importance, especially as a source of employment. The

jobs being eliminated in these functional areas are disappearing for reasons that have little to do with, and long preceded, current anxieties about global outsourcing. We provide fuller detail on employment patterns in Chapter 3.

Putting all these trends together, it is unlikely that globalization in the form of international outsourcing within the various segments of the service sector will offset the trend in demand and output away from globalized manufacturing and toward locally produced services. The segments within the broader service sector that might move offshore are both limited and declining in importance, since they are the same functions that can be automated. We are currently in a period like that from 1920 to 1950, in which changes in the composition of economic activity—then the trend toward differentiated manufacturing; now the move toward locally produced and consumed services—outweigh the impact of improving transportation and communications on globalization. It is likely to be a period in which economic globalization declines in importance. The developed countries that will be hardest hit by globalization are those such as France, Germany, Italy, and Japan, which try to sustain significant employment in manufacturing. Those countries that embrace a service-centered economy—the United States, the United Kingdom, Denmark, and some others—should have a better experience. For these countries, the negative impact of globalization on employment and on economic activity in general will prove to have been more of a twentieth rather than a twenty-first century episode.

Why So Newsworthy?

We have followed the course of globalization from its initial emergence in the late nineteenth century to the decline starting after World War I and its reemergence in the decades

following World War II. We have described the goods and services that have been traded across national boundaries over these periods, and we have also identified the trends in national economies that describe the waning significance of physical goods and the growing importance of services, at least in more developed countries. If these trends persist, and if, as we believe, most services continue to be locally produced and delivered, then globalization in the years ahead will be a less disruptive force in overall economic life than it has been over the last two or three decades. We are not forecasting a decline in international trade, certainly not as measured by volume. We are predicting that the value of that trade as a part of total economic activity will certainly not increase at the rate it has in the past, and should eventually decline.

If we are correct, and globalization is indeed yesterday's news, what accounts for the overwrought treatment that outsourcing, offshoring, and other aspects of globalization receive in the major media? One possible explanation is the impact of recent technological developments on the various media, including the people who work for these organizations and the people who own them. The emergence of the Internet as a decentralized, low-cost source of information has cut heavily into the demand for traditional products like newspapers, magazines, and television. The Internet supplies information more quickly, in a more targeted fashion, and, by allowing comparisons with and among these traditional sources, shows how redundant many of them are. At the local level, news used to be the exclusive property of the local newspaper, which may also have owned the television and radio stations. By lowering the costs at which independent, local providers of information can operate, the Internet has increased competition for local news coverage and has loosened the monopoly hold the traditional media had on businesses that wanted to advertise locally.

These changes have undermined the economic position of traditional media. The people whose lives are most affected, those who gather, edit, and report the news and the owners of the companies for which they work, have reflexively placed the blame on foreigners and other outsiders, just as many others who experienced the wrenching changes wrought by economic transformations have traditionally done—hence the emphasis on the negative and powerful impact of globalization. In fact, these changes in technology have tended to support local rather than global production of information. For example, Internet music downloads have increased the proportion of locally produced songs on local hit parades.[11] As a result, some leading international media companies, like News Corp and Reuters, have begun to adjust and to think of themselves as *multilocal* organizations living increasingly on specialized and local information, rather than global companies providing general information around the world.